Distr.
GENERAL

IDB.29/6
PBC.20/6
15 July 2004

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-ninth session
Vienna, 9-11 November 2004

Programme and Budget Committee

Twentieth session
Vienna, 8-9 September 2004
Item 8 of the provisional agenda

MEDIUM-TERM PROGRAMME FRAMEWORK, 2006-2009

Proposals of the Director-General

Provides information on proposed activities in the forthcoming medium-term programme framework period, 2006-2009.

Introduction

1. This note is presented in accordance with General Conference decision GC.2/Dec.23, as subsequently modified in decision GC.6/Dec.10, which requests the Director-General to submit to the Board in the first year of each fiscal period, through the Committee, a draft medium-term programme framework (MTPF) for the four years that follow the current fiscal period. It also complies with paragraph (b) (v) d of the same decision, which requests the Director-General to indicate a general ceiling for the next biennium (2006-2007) based on anticipated resources and on programme activity.

I. THE PROGRAMMATIC CONTEXT

2. The broad programmatic objectives and priorities of UNIDO continue to be given by the Business Plan on the Future Role and Functions of UNIDO endorsed by the General Conference in resolution GC.7/Res.1, and recalled by the General Conference in resolution GC.10/Res.2 on the MTPF for 2004-2007.

3. With a view to helping UNIDO enhance the cost effectiveness of its use of resources and the relevance of its cooperation activities and their socio-economic benefits, the Member States presented the Organization with a set of Strategic Guidelines, "Towards improved UNIDO programme delivery". These were adopted by the twenty-sixth session of the Industrial Development Board in November 2002 and subsequently taken into account by the General Conference in resolution GC.10/Res.2 on the MTPF for 2004-2007. The Strategic Guidelines specifically provided for UNIDO to further focus its technical cooperation and global forum activities on producing practical and useful deliverables in areas where it has a comparative advantage.

4. In addition to the specific guidance given by the Member States through the Business Plan and the Strategic Guidelines, UNIDO's programmatic objectives and priorities also continue to be determined by broader decisions taken by the international community with regard to development issues. The most important of these are given by the Millennium Development Goals derived from the Millennium Declaration adopted by the United Nations Millennium Summit in September 2000. Others are given by such initiatives as the World Summit on Social Development Review Session held in Geneva in June 2000, the Third United

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.04-56311 (E)

Distr.: 29 July 2004

Nations Conference on the Least Developed Countries held in Brussels in May 2001, the International Conference on Financing for Development held in Monterrey in March 2002, and the World Summit on Sustainable Development held in Johannesburg in September 2002.

5. Taking into account the stipulations of the Business Plan and the Strategic Guidelines, as well as the relevant decisions taken by the international community in other forums, the Secretariat formulated a corporate strategy for the Organization, entitled *Developing industry: Productivity enhancement for social advance*, in 2003 (GC.10/14, annex). The purpose was to assist in further focusing UNIDO's specialized competencies and services in fulfilment of its mandate of promoting industrial development and growth in developing countries and countries with economies in transition. Based on extensive consultations within the Organization and beyond, inter alia through the Venice I and II global forum exercises, and building upon a comprehensive review of the current development agenda and recent development experience, the new corporate strategy was aimed at facilitating a better conceptual and operational design of UNIDO's activities, as well as enhanced impact. This corporate strategy was presented to the Member States at the twenty-seventh session of the Industrial Development Board in August 2003, and noted with interest by the General Conference in resolution GC.10/Res.2 on the MTPF for 2004-2007.

6. The UNIDO corporate strategy notes that the Organization has a dual role: To provide technical cooperation services which enhance skills, technology and related capacities, and to perform global forum functions by generating and disseminating knowledge about industrial development processes and associated issues. Though separate, these two roles are closely interlinked and mutually reinforcing, and activities in both fields support each other in the quest for enhancing UNIDO's relevance, effectiveness and impact.

7. With regard to the specific interventions undertaken by UNIDO, the corporate strategy notes that they can analytically be clustered around two key areas of comparative advantage: technology diffusion and capacity-building for market access and development. In both areas, the corporate strategy provides for UNIDO's focus on LDCs and the poor to continue to be stressed and sharpened, and for the environmental sustainability of industrial development to remain an essential ingredient of UNIDO's services. By thus reinforcing the multiple links between entrepreneurship, technology, productivity enhancement and growth through sustainable industrial development, the corporate strategy provides for UNIDO to respond effectively to the challenges of reducing extreme poverty and ensuring environmental sustainability as envisaged in the Millennium Development Goals.

II. MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007

8. The corporate strategy serves as the foundation for the MTPF for 2004-2007. Following its adoption, UNIDO undertook an extensive review of the structure, substance and delivery mechanisms of its technical cooperation and global forum services in order to ensure their alignment with the strategy. This process was undertaken in the latter half of 2003 in connection with the formulation of the MTPF for 2004-2007, and resulted in a comprehensive re-assessment and refinement of the UNIDO service modules, the identification of areas of emphasis and priority services for the medium term 2004-2007, and the establishment of a research programme for the medium-term period. These outcomes of the review process were presented to the tenth session of the General Conference in documents GC.10/14 and GC.10/CRP.4, and were approved by the General Conference in resolution GC.10/Res.2 on the MTPF for 2004-2007.

9. Specifically, the review process led to the adoption of the following eight revised service modules:

Service Module 1—Industrial governance and statistics

Service Module 2—Investment and technology promotion

Service Module 3—Industrial competitiveness and trade

Service Module 4—Private sector development

Service Module 5—Agro-industries

Service Module 6—Sustainable energy and climate change

Service Module 7—Montreal Protocol

Service Module 8—Environment management

10. Within the broad framework of these revised service modules, moreover, it was decided that UNIDO should concentrate on a number of areas of emphasis during 2004-2007, comprising investment promotion; technology transfer, diffusion and management; trade facilitation and market access; private sector enterprise development; and multilateral environmental agreements. In translating the selected areas of emphasis into the specific services provided under the UNIDO service modules, it was decided to focus on the following priority services under each service module:

Service Module 1:

Capabilities-building in industrial statistics

Preparation of national and regional industrial diagnoses

Service Module 2:

Strategy and policy advice on foreign direct investment

Support services for strengthening national technology management systems

Service Module 3:

Strengthening operational components of the conformity infrastructure

Competitiveness enhancement through quality and productivity

Service Module 4:

A policy toolbox for private sector development

Promotion of SME export consortia

Service Module 5:

Post-harvest systems in the food sector

Fibre processing

Product innovation and diversification for enhanced market access

Enhancing rural community livelihood through efficient agro-supply chains

Service Module 6:

Rural energy for productive use with emphasis on renewable energy

Energy efficiency

Service Module 7:

Support for the formulation and implementation of national and sectoral phase-out plans

Generation of databases on the impact of Montreal Protocol activities

Service Module 8:

Cleaner and sustainable production

Water management

11. Separately, the review process initiated in the latter half of 2003 resulted in the formulation of a coordinated research programme responding directly to the priorities identified in the corporate strategy. This research programme constitutes an integral part of the MTPF for 2004-2007. It consists of four research components with two proposed activities per research component, as follows:

Research Component 1—Contribution of industry to development and poverty reduction:

Building a database on productivity and economic indicators

Assessing productivity performance and structural change and their contribution to poverty reduction

Research Component 2—Technology diffusion for productivity enhancement:

Strengthening the interactions between economic agents, markets and institutions to draw effectively on international trade and investment flows

Reconciling industry and environment: Implications for technological development and diffusion

Research Component 3—Policy choices in the new economic order:

Industrial development policy toolbox attuned to the challenges posed by the multilateral system

Assessing how best global value chains can contribute to enhanced domestic capabilities

Research Component 4—Private sector development:

Ensuring the contribution of SMEs and entrepreneurship to fostering growth, learning, specialization, technical innovation and exports

Building on successful experiences of Corporate Social Responsibility (CSR) to promote sustainable development

12. Since the approval of the MTPF for 2004-2007 by the tenth session of the General Conference, considerable efforts have been undertaken to ensure its effective implementation. A publication entitled *Operationalizing UNIDO's Corporate Strategy—Services and priorities for the medium term 2004-2007*, which encompasses all relevant documents (the corporate strategy and documents GC.10/14 and GC.10/CRP.4) has been printed and circulated to all headquarters and field staff. In addition, the Director-General has held personal meetings with all staff members of the Programme Development and Technical Cooperation Division and the Programme Coordination and Field Operation Division to brief them on the objectives and implementation of the MTPF for 2004-2007 and discuss the implications with them.

Based on the issues raised at these meetings, a series of follow-up workshops have been instituted for staff members to clarify lingering areas of uncertainty and formulate new approaches to address new challenges.

III. PROPOSALS FOR 2006-2009

13. The MTPF for 2006-2009 is expected to evolve from the current MTPF for 2004-2007 and to maintain a broad continuity with it. This continuity will be facilitated by the overlap of the two framework periods in the biennium 2006-2007, and by the expectation that the MTPF for 2006-2009 will continue to adhere, in general terms, to the objectives as laid out in the corporate strategy and the service modules derived therefrom.

14. At the same time, it is likely that a review of the current areas of emphasis and priority services may be conducted in the period leading up to the final formulation of the MTPF for 2006-2009 in order to take account of the evolving development agenda. This may lead to the prioritization of other services included in the service modules than those that have been currently selected. Similarly, the research programme may also be subject to some revision as the lines of research currently embarked upon are exhausted and new issues emerge. Any such revisions will, of course, be conducted in full consultation with the Member States at the regular sessions of the governing bodies and through other channels as appropriate.

15. In addition, the final version of the MTPF for 2006-2009 will also be informed by, and aligned with, the strategic long-term vision statement for the following 10-15 years that the Secretariat has been invited to prepare, possibly in time for its adoption by the next General Conference.

16. The methods of delivery of UNIDO's technical cooperation services, which comprise integrated programmes (IPs) and country service frameworks (CSFs), where a selection of service modules is employed in a coherent and mutually reinforcing manner to assist client countries in overcoming their critical industrial development problems, and stand-alone projects involving only one or two service modules, have proved very effective in the past years and are expected to remain unchanged. They will continue to be supplemented by a variety of thematic initiatives to provide specialized assistance to developing countries and countries with economies in transition in meeting particularly pressing development needs in line with the international development agenda and UNIDO's comparative advantages in the field of industrial development. Initiatives of this nature currently include trade-related technical assistance, rural energy for productive use, post-crisis industrial rehabilitation and reconstruction. Others may be added as necessary and appropriate.

17. The resources required for the implementation of the medium-term framework 2006-2009 will have to be determined in conjunction with the finalization of its substantive content.

IV. ACTION REQUIRED OF THE COMMITTEE

18. The Committee may wish to take note of the present document.